



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	SB0329	<b>Title:</b>	Revise automobile licensing and insurance laws
<b>Primary Sponsor:</b>	Barkus, Gregory D	<b>Status:</b>	As Introduced

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund	(\$426,019)	\$624,309	\$630,083	\$630,083
State Special Revenue	\$174,690	\$293,780	\$293,780	\$293,780
<b>Revenue:</b>				
General Fund	\$68,100	\$207,800	\$59,400	\$59,400
State Special Revenue	(\$13,095)	(\$29,190)	(\$26,190)	(\$26,190)
<b>Net Impact-General Fund Balance:</b>	<u>\$494,119</u>	<u>(\$416,509)</u>	<u>(\$570,683)</u>	<u>(\$570,683)</u>

#### Description of fiscal impact:

The operating costs associated with implementing SB 329 for the Department of Justice are not offset by the increase in general fund revenue; therefore, there is a negative impact on the general fund. The bill also has a negative impact on the Veterans Services state special revenue account in the Department of Military Affairs. There will be less general fund expenditures in the Department of Corrections due to the reduction of the number of license plates to be produced.

### FISCAL ANALYSIS

#### Assumptions:

##### **Department of Justice**

##### Motor Vehicle Division (MVD)

1. Effective January 1, 2010, one standard issue license plate will be displayed on the rear of a motor vehicle.
2. A single standard plate style with space for sponsoring organization decals will replace the currently issued special license plates for military, veterans, generic specialty, collegiate, and commemorative centennial organizations.

3. The special military, veteran, collegiate, generic specialty, and commemorative centennial license plates issued before January 1, 2010 may be displayed until ownership of the vehicle is transferred if they are not permanently registered.
4. Permanently registered vehicles displaying military, veterans, collegiate, generic specialty, or commemorative centennial license plates must change to a standard license plate when ownership is transferred or by January 2011, whichever comes first.
5. On December 31, 2008, there were 170,671 currently issued military, veteran, collegiate, generic specialty, and commemorative centennial plates. About 9 percent of registered vehicles transfer ownership annually, therefore it is assumed that 15,360 special plates would be replaced with the standard license plate in calendar year 2010 increasing the general fund approximately \$38,400 in FY 2010 and in FY 2011 assuming an equal distribution throughout the calendar months [ $170,671 \text{ plates} * 9\% = 15,360 * \$5 \text{ plate fee} = \$76,800 * 0.5 \text{ year} = \$38,400$ ].
6. Assuming approximately 13 percent of the special plates currently issued are permanently registered, an estimated 22,000 plates would be replaced with a standard plate by January 2011 increasing general fund \$110,000 in FY 2011 [ $170,671 \text{ plates} * 13\% = \text{approx. } 22,000 \text{ plates} * \$5 \text{ fee} = \$110,000$ ].
7. Section 60 of SB 329 repeals the \$15 administrative fee assessed when generic specialty plates are first issued, of which \$5 is distributed to the county and \$10 is distributed to the state general fund (61-3-480, MCA). Based on the generic specialty administrative fees deposited in the state general fund in FY 2008, there were approximately 25,960 generic specialty plates issued for the first time [ $25,960 \text{ plates} * \$10.00 = \$259,600$ ]. Therefore, it is estimated general fund revenue would decrease \$129,800 in FY 2010 [ $\$259,600 * 0.50 \text{ year} = \$129,800$ ] and \$259,600 each fiscal year thereafter through the 2013 biennium.
8. Section two provides an additional fine of \$250 for individuals who do not comply with the new insurance decal requirements. More than 13,000 convictions for no insurance are recorded annually. Assuming that ten percent of those would also be convicted of this offense, general fund would increase an estimated \$162,500 in FY 2010 (due to the effective date of this bill) and \$325,000 each fiscal year thereafter through the 2013 biennium [ $13,000 * 10\% * \$250 = \$325,000 \text{ annually; } \$325,000 * 0.50 \text{ year} = \$162,500$ ].
9. The Department of Justice will set standards for production of decals. It is assumed the cost for the production of decals for special license plates is not the responsibility of the Department of Justice.
10. For uniformity, decals could be produced by Montana Correctional Enterprises (MCE) who now produces the license plates. The decals could be purchased from MCE.
11. Approximately 1.1 million registered vehicles are required to maintain insurance coverage. Assuming that a six-month insurance cycle, a nine percent transfer of ownership, and ten percent inventory for transfer between insurance companies, approximately 2,637,800 decals would be required annually to meet the insurance decal requirements in section two of this bill [ $(1.1 \text{ million} * 2 \text{ decals annually} = 2.2 \text{ million} * 9\% \text{ transfer of ownership} = 2,398,000 * 10\% \text{ inventory} = 2,637,800 \text{ decals})$ ]. At an estimated cost of \$0.25 per decal, annual operating costs would increase \$659,450 in FY 2011, FY 2012, and FY 2013 [ $2,637,800 \text{ decals} * \$0.25 = \$659,450$ ] and \$329,725 in FY 2010 due to the effective date [ $\$659,450 * 0.50 \text{ year} = \$329,725$ ].
12. Color coding registration expiration period decals increases the required number of decals needed each year. Due to varying expiration periods, it is estimated additional inventory will be necessary to provide decals for registrations that could be four years in the future and this increased number of registration expiration period decals would increase operating costs \$50,000 each fiscal year through the 2013 biennium. [ $200,000 * \$0.25/\text{decal} = \$50,000$ ].
13. Assuming interest in amateur radio operator, personalized, and generic specialty license plates continues to equal the current level, operating costs are estimated to increase \$56,250 in FY 2010 and approximately \$25,000 annually each fiscal year thereafter for county number decals required. [ $225,000 \text{ current plates} * \$0.25 \text{ per decal} = \$56,250$ ;  $100,000 \text{ for new plates and inventory} * \$0.25 = \$25,000$ ].
14. Rulemaking would increase operating expenditures approximately \$750 in FY 2010.

15. No factor has been applied for growth or economic impacts.

Montana Highway Patrol Division (MHP)

16. It is assumed the MHP issues 200 citations per year to motorists displaying only one license plate.

17. Currently, the fine associated with this citation is \$60. Fifty percent of the fine revenue is deposited into the state general fund and the other half is distributed to the county in which the citation was written. Therefore, the state share of the fine revenue is \$30 per citation [ $\$60 * 50\% = \$30$ ].

18. Assuming the number of citations written would remain constant, the annual general fund revenue would decrease by \$6,000 [200 violations \* \$30.00 = \$6,000]. Given the effective date of SB 329 (1/1/2010), the decrease in revenue would be \$3,000 in FY 2010.

Justice Information Technology Services Division (JITSD)

19. It is assumed that the Point of Sale (POS) printers at all 60 MVD locations will need to be replaced to accommodate “color tab printing” via four individual drawers.

20. It is assumed that all printers will be replaced with MVD specific printers that have higher input capacity.

21. The cost for new MVD POS printers will be approximately \$3,500 per printer. There are approximately 95 printers that will need to be replaced for a total one-time cost of \$332,500 in FY 2010 [ $\$3,500/\text{printer} * 95 \text{ printers} = \$332,500$ ].

22. It is estimated that the cost for contracted resources to replace the existing 95 POS printers at 60 MVD locations will be approximately \$50,000 in FY 2010. This estimate is based on experience utilizing contracted resources for statewide IT deployments.

23. It is assumed all Montana Enhanced Registration and Licensing Information Network programming, configuration, and testing would include:

- a. An end date will have to be put on all current specialty, military, and collegiate plates in inventory so that they cannot be ordered. There are 347 current active plate configurations in inventory with singles, doubles, and smalls.
- b. Add cut-off dates for renewals for all current specialty, military, and collegiate plates, including permanent plates.
- c. It is assumed all permanent plates will require tabs.
- d. It is assumed it will be necessary to configure three new sponsor plates: Sponsor Regular, Sponsor Handicapped, and Sponsor Disabled Vet.

24. It is assumed that sponsor fees will be collected by the sponsoring agency, not MERLIN.

25. It is assumed that the product and fees will be left in the Automated Transaction Money Manager (ATM2) and the Automated Registration and Title System (ARTS) modules in MERLIN as these can be renewed through the year 2010.

26. It is assumed the MERLIN system will not create or record any of these decals.

27. The configuration, programming, testing, and implementation to the MERLIN system will be contracted by Justice Information Technology Services Division to the system contractor and will cost approximately \$38,400 in FY 2010.

28. SB 329 is one of several bill drafts that seek to modify motor vehicle laws and therefore the motor vehicle licensing system (MERLIN). The fiscal note for each bill will be prepared based on the effect of the individual bill. However, when viewed as a package, the cumulative effect of passage of more than one bill will require additional analysis and may provide opportunities to share or redistribute costs.

**Department of Corrections**

Montana Correctional Enterprises (MCE)

29. Beginning January 1, 2010, vehicles will only be required to have a rear plate affixed to their vehicle, eliminating the need to produce two license plates for each vehicle.

30. The license plate reissue is not affected by the passage of this bill, with the exception of one license plate to be issued.

31. It is the assumption of Montana Correctional Enterprises (MCE) that one vendor will need to be used for the manufacturing of the decals for the generic specialty sponsors, military and veteran’s organizations

and the institutions of higher education, to provide uniformity in the designs and materials used in production. The assumption would include that the MCE would be responsible for the production of these decals, it is currently working with the Motor Vehicle Division (MVD) to produce all license plates according to their specifications.

32. It is the assumption of MCE that the decals would be produced in its sign shop, which falls under the enterprise programs operated by MCE. The assumption would also include that all costs of production of the decals would be covered by the revenue from the sale of the decals; therefore, MCE is not reporting any fiscal impact to the MCE Industries Enterprise fund.
33. The fiscal note is broken down into two areas. The base budget change due to the reduction of regularly issued license plates produced and the present law change due to the reduction of new issue plates to be produced.
34. In FY 2008, MCE produced 610,783 large plates and 37,813 small plates. The fiscal note is based on these production figures.
35. For the regularly issued license plates, MCE assumes that sixty percent of the large plates produced in FYr 2008 ( $610,783 \times 60\% = 366,470$ ) would be produced in the fiscal years following the passage of SB329, in addition to the reissued license plates. The same amount of small plates would be produced, as most of those are for single use. This assumption is due to the fact that there are a limited amount of single plates produced throughout the fiscal year.
36. Assuming that there will be 404,286 ( $366,470$  large plates +  $37,813$  small plates) plates produced in any given year, in addition to the reissued license plates, the base budget could be reduced for the Department of Corrections in the amount of \$104,367 each year of the biennium, for a biennial reduction of \$208,734.
37. For the reissue of standard issued license plates, MCE assumes that the MCE License Plate Factory will produce 937,000 plates for the license plate reissue; this is in addition to the regularly issued plates mentioned in 8 and 9 above. The number of plates is derived from the number of active registrations, 915,000 (915,163, per MVD, rounded down), not including permanent registrations. In addition, per MVD there are 164,000 permanent registrations, of which there is the assumption that 13.2%, or 22,000 ( $164,000 \times 13.2\% = 21,648$  rounded up) have veterans, collegiate, or generic specialty license plates, per MVD. With the passage of SB329, all of these registrations would be required to purchase new standard issued license plates. The total amount of license plates that would be produced for the reissue is 937,000 ( $915,000 + 22,000 = 937,000$ ).
38. Utilizing the license plate numbers in number 10 above, the present law adjustment (Corrections DP402) could be reduced by \$1,185,051 over the biennium (\$1,179,277 FY 2010 and \$5,774 FY 2011). This reduction includes the civilian overtime of \$2,760 and inmate payroll of \$2,688 for a total reduction in personal services of \$5,448 (\$2,724 each fiscal year); Reflective sheeting, aluminum print heads and supplies directly used in production of \$1,173,503 (\$1,173,503, FY 2010, \$0 FY 2011) and other operating supplies and expenditures of \$6,100 (\$3,050 FY 2010, \$3,050 FY 2011).
39. The total reduction for FY 2010 is \$1,283,644 (\$104,367 base budget + \$1,179,277 PL402 adjustment = \$1,283,644) and FY 2011 is \$110,141 (\$104,367 base budget + \$5,774 PL402 adjustment), for a total of \$1,393,785 over the biennium.

### Department of Commerce

40. Section 1, subsection 1 of the bill indicates that the Lewis and Clark bicentennial license plates issued before January 1, 2010 may continue to be displayed until ownership is transferred.
41. Section 1, subsection 2 of the bill indicates the Lewis and Clark bicentennial license plates displayed on a motor vehicle that are permanently registered may continue to be displayed until ownership is transferred or until January 1, 2011, whichever comes first.
42. Section 3 and Section 59 authorizes the sale of decals that continue to be deposited in the state special revenue account established in 90-1-115, MCA.
43. Three-fourths of the funds received through the sale of the Lewis and Clark bicentennial license plates and decals would continue to be distributed equally to the Lewis and Clark Interpretive Center Foundation, the

Pompey's Pillar Historical Association, and Travelers' Rest Preservation and Heritage Association. In FY 2008 the Montana Promotion Division in the Department of Commerce distributed \$87,546 to these entities; with each entity receiving \$29,182.

44. There is no way to quantify how often motor vehicle ownership will change (transfer) or how many people will opt not to continue the Lewis and Clark Bicentennial license plates or decals; therefore there is no way to accurately calculate the fiscal impact of this bill.

**Department of Military Affairs**

45. Section 6 of SB 329 eliminates the \$15 surcharge for the Patriotic license plate (decal) upon registration renewal. It is estimated that there are 2,494 Patriotic plates of which 70% are renewals. Therefore, it is estimated the revenues for the Veterans Services account (state special revenue) would decrease \$26,190 annually [2,494 Patriotic plates \* 70% = 1,746 \* \$15 = \$26,190]. Due to the effective date of this bill, the decrease in FY 2010 would be \$13,095 [\$26,190 \* 0.50 year = \$13,095].

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b>Department of Justice</b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	\$857,625	\$734,450	\$734,450	\$734,450
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$857,625	\$734,450	\$734,450	\$734,450
<b><u>Revenues:</u></b>				
General Fund (01)	\$68,100	\$207,800	\$59,400	\$59,400
<b>Department of Military Affairs</b>				
<b><u>Revenues:</u></b>				
State Special - Vet's Serv. Ac	(\$13,095)	(\$26,190)	(\$26,190)	(\$26,190)
<b>Department of Corrections</b>				
<b><u>Expenditures:</u></b>				
Personal Services	(\$2,724)	(\$2,724)		
Operating Expenses	(\$1,280,920)	(\$107,417)	(\$104,367)	(\$104,367)
<b>TOTAL Expenditures</b>	<b>(\$1,283,644)</b>	<b>(\$110,141)</b>	<b>(\$104,367)</b>	<b>(\$104,367)</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	(\$1,283,644)	(\$110,141)	(\$104,367)	(\$104,367)
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$494,119	(\$416,509)	(\$570,683)	(\$570,683)
State Special - Vet's Serv. Ac	(\$13,095)	(\$26,190)	(\$26,190)	(\$26,190)

**Effect on County or Other Local Revenues or Expenditures:**

- Counties may experience a decrease in revenues due to the repeal of the administrative fee in 61-3-480, MCA.
- For each citation written by the MHP, half of the fine is given to the county in which the violation occurred. The effect on the counties would be a decrease of \$6,000 in revenue for fines associated with this violation (\$3,000 in FY 2010).

**Long-Term Impacts:**

- "Patriot" license decal sales will be minimal; therefore veteran's services special revenue derived from the "Patriot" license plate will diminish; thus negatively impacting the Montana Veterans Affairs Division's veteran's services program. If revenue is reduced, this will negatively impact the operations and maintenance of the state's three veteran's cemeteries.

**Technical Notes:**

1. Without uniformity, decals may fail to meet requirements for adhesion and ability to be removed without damaging the license plate reflectivity, durability, and weather-resistance. Multiple vendors manufacturing these decals could result in failure of the product to meet expectations.
2. The limited space on the license plate for the plate number would be further restricted by the decals for the special license plates, the insurance decal, and the county number decal. This may limit the ability of law enforcement to read the license plate number.
3. A special license plate that is not permanently registered may continue to be displayed on the motor vehicle until the ownership of the vehicle is transferred. If the ownership is not transferred, the special license plate could remain displayed on the vehicle indefinitely as long as the vehicle registration remains current.
4. Section 3 of the bill as drafted states that the sale of decals shall be deposited in the special revenue accounts established in 90-1-115, MCA. However, Section 3 of the bill as drafted deletes all references to the initial \$20 fee or the annual \$20 renewal fee to be deposited for specialty plates.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*